



REDACTED – FOR PUBLIC INSPECTION

**VIA ECFS**

June 29, 2017

Marlene H. Dortch, Secretary  
Federal Communications Commission  
Office of the Secretary  
445 12th Street, SW  
Room TW-A325  
Washington, DC 20554

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**RE:     Accipiter Communications, Inc., SAC 452191**  
**Submission of FCC Form 481 Annual Report**  
**WC Docket No. 14-58 – ETC Annual Reports and Certifications**

Dear Ms. Dortch:

In accordance with the annual reporting requirements of 47 C.F.R. §§54.313 and 54.422, Accipiter Communications, Inc. (“the Company”), Study Area Code 452191, hereby files its FCC Form 481 – Carrier Annual Reporting Data Collection Form. *The version of the Company’s FCC Form 481 submitted via the FCC’s Electronic Comment Filing System (ECFS) is a redacted version of the filing that contains no confidential information.*

Section 3005 of FCC Form 481 requires privately-held rate-of-return carriers receiving high cost support to attach a full and complete annual report of the company’s financial condition and operations pursuant to 47 C.F.R. §54.313(f)(2). Accipiter Communications, Inc., by its authorized representative, hereby seeks confidential treatment of its financial annual report pursuant to the March 22, 2016 *Protective Order* in WC Docket Nos. 10-90 and 14-58.<sup>1</sup> The *Protective Order* specifically covers the information required by 47 C.F.R. §54.313(f)(2).

Accipiter Communications, Inc. is providing to the Office of the Secretary, under seal, this cover letter and the FCC Form 481 filing which includes the confidential information that is being requested to be withheld from public inspection.

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T (972) 387-4300  
F (972) 960-2810

8750 N. Central Expressway  
Suite 300  
Dallas, TX 75231

Assurance, tax, and consulting offered through  
Moss Adams LLP. Wealth management offered through  
Moss Adams Wealth Advisors LLC. Investment banking  
offered through Moss Adams Capital LLC.

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<sup>1</sup> *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90 and 14-58, Protective Order, 31 FCC Rcd 2089 (2016).

Each page of the Company's financial annual report and the financial summary page on the FCC Form 481 bear the legend, "CONFIDENTIAL INFORMATION – SUBJECT TO PROTECTIVE ORDER BEFORE THE FEDERAL COMMUNICATIONS COMMISSION."

The confidential information has also been submitted to the Universal Service Administrative Company through its E-File system as attachments to the FCC Form 481.

In the filing submitted via the ECFS, all pages containing confidential information bear the legend "REDACTED – FOR PUBLIC INSPECTION."

This cover letter includes no confidential information and the text is the same in both the non-redacted and redacted versions except for the confidentiality markings.

The FCC Form 481 has also been filed with the relevant state commissions and Tribal governments, as appropriate.

Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Stuart Polikoff". The signature is fluid and cursive, with the first name "Stuart" and last name "Polikoff" clearly distinguishable.

Stuart Polikoff  
Authorized Representative for  
Accipiter Communications, Inc.

SP/ag

cc: Melissa Rosenecker, Accipiter Communications, Inc.

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name: Person USAC should contact with questions about this data	Melissa Rosenecker
<035>	Contact Telephone Number: Number of the person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	mrosenecker@teamzona.com
Form Type		54.313 and 54.422

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPTER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

<210> For the prior calendar year, were there any reportable voice service outages? Yes

-- See attached worksheet --

**(300) Unfulfilled Service Request  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

&lt;300&gt; Unfulfilled service request (voice)

0

&lt;310&gt; Detail on attempts (voice)

Name of Attached Document

&lt;320&gt; Unfulfilled service request (broadband)

0

&lt;330&gt; Detail on attempts (broadband)

Name of Attached Document

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com
<400>	Select from the drop-down list to indicate how you would like to report voice complaints (zero or greater) for voice telephony service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed voice	
<410>	Complaints per 1000 customers for fixed voice	0 . 0
<420>	Complaints per 1000 customers for mobile voice	
<430>	Select from the drop-down list to indicate how you would like to report end-user customer complaints (zero or greater) for broadband service in the prior calendar year for each service area in which you are designated an ETC for any facilities you own, operate, lease, or otherwise utilize. Offered only fixed broadband	
<440>	Complaints per 1000 customers for fixed broadband	0 . 0
<450>	Complaints per 1000 customers for mobile broadband	

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
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<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com
<500>	Certify compliance with applicable service quality standards and consumer protection rules	Yes
452191az510.pdf		
<510>	Descriptive document for Service Quality Standards & Consumer Protection Rules Compliance	
<515>	Certify compliance with applicable minimum service standards	

<b>(600) Functionality in Emergency Situations</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com
<600>	Certify compliance regarding ability to function in emergency situations	Yes
<610>	Descriptive document for Functionality in Emergency Situations	452191az610.pdf





<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenacker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenacker@teamzona.com

-- See attached worksheet --

**(800) Operating Companies  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com
<810>	Reporting Carrier	Accipiter Communications, Inc.
<811>	Holding Company	Name Not Available
<812>	Operating Company	Accipiter Communications, Inc.

[illegible]

**(900) Tribal Lands Reporting  
Data Collection Form**

 FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

&lt;900&gt; Does the filing entity offer tribal land services? (Y/N) No

&lt;910&gt; Tribal Land(s) on which ETC Serves

&lt;920&gt; Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

- <921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions.
- <922> Feasibility and sustainability planning;
- <923> Marketing services in a culturally sensitive manner;
- <924> Compliance with Rights of way processes
- <925> Compliance with Land Use permitting requirements
- <926> Compliance with Facilities Siting rules
- <927> Compliance with Environmental Review processes
- <928> Compliance with Cultural Preservation review processes
- <929> Compliance with Tribal Business and Licensing requirements.

Select Yes or No or Not Applicable

**(1000) Voice and Broadband Service Rate Comparability  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

<1000> Voice services rate comparability certification Yes

<1010> Attach detailed description for voice services rate comparability compliance 452191az1010.pdf

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Name of Attached Document

<1020> Broadband comparability certification Yes - Pricing is no more than the most recent applicable benchmark announced by the Wireline Competition Bureau

<1030> Attach detailed description for broadband comparability compliance 452191az1030.pdf

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Name of Attached Document

**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<010>	Study Area Code	452191
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

&lt;1100&gt; Certify whether terrestrial backhaul options exist (Y/N)

Yes

&lt;1130&gt; Please select the appropriate response (Yes, No, Not Applicable) to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(g).

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481  
 OMB Control No. 3060-0986/OMB Control No. 3060-0819  
 July 2013

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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

452191az1210.pdf

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- |        |   |                                     |
|--------|---|-------------------------------------|
| <1221> | Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, | <input checked="" type="checkbox"/> |
| <1222> | Details on the number of minutes provided as part of the plan,  | <input checked="" type="checkbox"/> |
| <1223> | Additional charges for toll calls, and rates for each such plan.  | <input checked="" type="checkbox"/> |

**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

Select the appropriate responses below (Yes, No, Not Applicable) to note compliance as a recipient of Incremental High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e). The information reported on this form and in the documents attached below is accurate.

**Incremental Connect America Phase I reporting**

- <2011> 3rd Year Certification 47 CFR §54.313(b)(1)(ii) - Note that for the July 2017 certification, this applies to Round 2 recipients of Incremental Support.
- <2022> Recipient certifies, representing year three after filing a notice of acceptance of funding pursuant to 54.312(c), that the locations in question are not receiving support under the Broadband Initiatives Program or the Broadband Technology Opportunities Program for projects that will provide broadband with speeds of at least 4 Mbps/1Mbps - 54.313(b)(2)(i). Round 2 recipients only.
- <2023> The attachment on line 2024 includes a statement of the total amount of capital funding expended in the previous year in meeting Connect America Phase I deployment obligations, accompanied by a list of census blocks indicating where funding was spent. This covers year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2024A> Round 2 Recipient of Incremental Support?
- <2024B> Attach list of census blocks indicating where funding was spent in year three - 54.313(b)(2)(ii). Round 2 recipients only.
- <2025A> Round 2 Recipient of Incremental Support?
- <2025B> Attach geocoded Information for Phase I milestone reports (Round 2 for year three) - Connect America Fund , WC Docket 10-90, Report and Order, FCC 13-73, paragraph 35 (May 22, 2013).
- <2015> 2016 and future Frozen Support Certification 47 CFR § 54.313(c)(4)

Name of Attached Document Listing  
Required Information

Name of Attached Document Listing  
Required Information



**(2005) Price Cap Carrier Additional Documentation**

FCC Form 481

**Data Collection Form**

OMB Control No. 3060-0986/OMB Control No. 3060-0819

*Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers*

July 2013

**Price Cap Carrier Connect America ICC Support {47 CFR § 54.313(d)}**

&lt;2016&gt; Certification support used to build broadband

**Connect America Phase II Reporting {47 CFR § 54.313(e)}**

&lt;2017A&gt; Connect America Fund Phase II recipient?

&lt;2017C&gt; Total amount of Phase II support, if any, the price cap carrier used for capital expenditures in 2016.

&lt;2018&gt; Attach the number, names, and addresses of community anchor institutions to which the carrier newly began providing access to broadband service in the preceding calendar year - 54.313(e)(1)(ii)(A)

Name of Attached Document Listing  
Required Information

&lt;2019&gt; Recipient certifies that it bid on category one telecommunications and Internet access services in response to all FCC Form 470 postings seeking broadband service that meets the connectivity targets for the schools and libraries universal service support program for eligible schools and libraries located within any area in a census block where the carrier is receiving Phase II model-based support, and that such bids were at rates reasonably comparable to rates charged to eligible schools and libraries in urban areas for comparable offerings - 54.313(e)(1)(ii)(C)

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Select from the drop down menu or check the boxes below to note compliance with 54.313(f)(1). Privately held carriers must ensure compliance with the financial reporting requirements set forth in 47 CFR 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

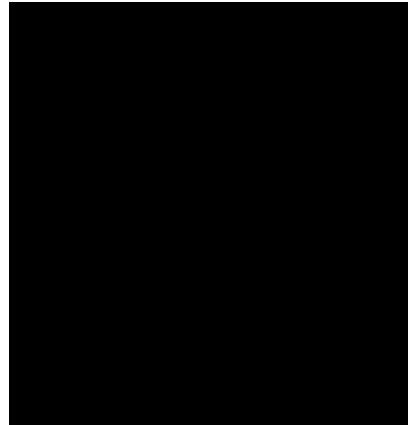
(3009)	Progress Report on 5 Year Plan Carrier certifies to 54.313(f)(1)(iii)	Yes - Attach Certification	
(3010A)	Certification of Public Interest Obligations {47 CFR § 54.313(f)(1)(i)}		452191az3010.pdf
(3010B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3012A)	Community Anchor Institutions {47 CFR § 54.313(f)(1)(ii)}	No - No New Community Anchors	
(3012B)	Please Provide Attachment	Name of Attached Document Listing Required Information	
(3013)	Is your company a Privately Held ROR Carrier {47 CFR § 54.313(f)(2)}	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
(3014)	If yes, does your company file the RUS annual report	(Yes/No)	<input type="radio"/> <input checked="" type="radio"/>
	Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires:		
(3015)	Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)		<input type="checkbox"/>
(3016)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3017)	If the response is yes on line 3014, attach your company's RUS annual report and all required documentation	Name of Attached Document Listing Required Information	
(3018)	If the response is no on line 3014, is your company audited?	(Yes/No)	<input checked="" type="radio"/> <input type="radio"/>
	If the response is yes on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3019)	Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input checked="" type="checkbox"/>
(3020)	Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows		<input checked="" type="checkbox"/>
(3021)	Management letter and/or audit opinion issued by the independent certified public accountant that performed the company's financial audit.		<input checked="" type="checkbox"/>
	If the response is no on line 3018, please check the boxes below to confirm your submission on line 3026 pursuant to § 54.313(f)(2), contains:		
(3022)	Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers		<input type="checkbox"/>
(3023)	Underlying information subjected to a review by an independent certified public accountant		<input type="checkbox"/>
(3024)	Underlying information subjected to an officer certification.		<input type="checkbox"/>
(3025)	Document(s) with Balance Sheet, Income Statement and Statement of Cash Flows		<input type="checkbox"/>
(3026)	Attach the worksheet listing required information	Name of Attached Document Listing Required Information	452191az3026.pdf

<b>(3005) Rate Of Return Carrier Additional Documentation (Continued)</b>		FCC Form 481
<b>Data Collection Form</b>		OMB Control No. 3060-0986/OMB Control No. 3060-0819
		July 2013

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**Financial Data Summary**

- (3027) Revenue
- (3028) Operating Expenses
- (3029) Net Income
- (3030) Telephone Plant In Service(TPIS)
- (3031) Total Assets
- (3032) Total Debt
- (3033) Total Equity
- (3034) Dividends



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4005 Rural Broadband Experiment

Authorized Rural Broadband Experiment (RBE) recipients must address the certification for public interest obligations, provide a list of newly served community anchor institutions, and provide a list of locations where broadband has been deployed.

Public Interest Obligations – FCC 14-98 (paragraphs 26-29, 78)

Please address Line 4001 regarding compliance with the Commission’s public interest obligations. All RBE participants must provide a response to Line 4001.

**4001.** Recipient certifies that it is offering broadband to the identified locations meeting the requisite public interest obligations consistent with the category for which they were selected, including broadband speed, latency, usage capacity, and rates that are reasonably comparable to rates for comparable offerings in urban areas?

Community Anchor Institutions – FCC 14-98 (paragraph 79)

**4003a.** RBE participants must provide the number, names, and addresses of community anchor institutions to which they newly deployed broadband service in the preceding calendar year. On this line, please respond (yes – attach new community anchors, no – no new anchors) to indicate whether this list will be provided.

If yes to 4003A, please provide a response for 4003B.

<b>4003b.</b> Provide the number, names and addresses of community anchor institutions to which the recipient newly began providing access to broadband service in the preceding calendar year.	Name of Attached Document Listing Required Information	
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Broadband Deployment Locations – FCC 14-98 (paragraph 80)

<b>4004a.</b> Attach a list of geocoded locations to which broadband has been deployed as of the June 1st immediately preceding the July 1st filing deadline for the FCC Form 481.	Name of Attached Document Listing Required Information	
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<b>4004b.</b> Attach evidence demonstrating that the recipient is meeting the relevant public service obligations for the identified locations. Materials must at least detail the pricing, offered broadband speed and data usage allowances available in the relevant geographic area.	Name of Attached Document Listing Required Information	
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<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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**TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:**

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	
Signature of Authorized Officer:	Date
Printed name of Authorized Officer:	
Title or position of Authorized Officer:	
Telephone number of Authorized Officer:	
Study Area Code of Reporting Carrier:	Filing Due Date for this form:
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<039> Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

<b>Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I certify that (Name of Agent) <u>Moss Adams, LLP</u> is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent:	<u>Moss Adams, LLP</u>
Name of Reporting Carrier:	<u>ACCIPITER COMM.</u>
Signature of Authorized Officer:	<u>CERTIFIED ONLINE</u> Date: <u>06/28/2017</u>
Printed name of Authorized Officer:	<u>Patrick Sherrill</u>
Title or position of Authorized Officer:	<u>General Manager</u>
Telephone number of Authorized Officer:	<u>6234554500 ext.</u>
Study Area Code of Reporting Carrier:	<u>452191</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

<b>Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier</b>	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier:	<u>ACCIPITER COMM.</u>
Name of Authorized Agent Firm:	<u>Moss Adams, LLP</u>
Signature of Authorized Agent or Employee of Agent:	<u>CERTIFIED ONLINE</u> Date: <u>06/28/2017</u>
Name of Authorized Agent Employee:	<u>Anthony Givens</u>
Title or position of Authorized Agent or Employee of Agent	<u>Consulting Staff</u>
Telephone number of Authorized Agent or Employee of Agent:	<u>5097770231 ext.</u>
Study Area Code of Reporting Carrier:	<u>452191</u> Filing Due Date for this form: <u>07/03/2017</u>
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

## Data Collection Form

OMB Control No. 3060-0986/OMB Control No. 3060-0819

---

<010>	Study Area Code	452191
<015>	Study Area Name	ACCIPITER COMM.
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
<035>	Contact Telephone Number - Number of person identified in data line <030>	6234554504 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com

<210> For the prior calendar year, were there any reportable voice service outages?

Yes

$\langle 220 \rangle$

[illegible]



<b>(700) Price Offerings including Voice Rate Data</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

July 2013

<701>	Residential Local Service Charge Effective Date	1/1/2017
<702>	Single State-wide Residential Local Service Charge	

[illegible]

<b>(710) Broadband Price Offerings</b> <b>Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
---	--

OMB Control No. 3060-0986/OMB Control No. 3060-0819

July 2013

<015>	Study Area Name	ACCIPITER COMM.
-------	-----------------	-----------------

<030>	Contact Name - Person USAC should contact regarding this data	Melissa Rosenecker
-------	---	--------------------

<039>	Contact Email Address - Email Address of person identified in data line <030>	mrosenecker@teamzona.com
-------	---	--------------------------

<711>	<a1>	<a2>	<b1>	<b2>	<c>	<d1>	<d2>	<d3>	<d4>
-------	------	------	------	------	-----	------	------	------	------

[illegible]

## **LINE 510 - SERVICE QUALITY STANDARDS AND CONSUMER PROTECTION RULES COMPLIANCE**

Accipiter Communications, Inc. (“the Company”) complies with applicable service quality standards and consumer protection rules for its voice and broadband services.

The rates, terms, and conditions under which the Company operates are in compliance with the required service quality standards under Title 14, Chapter 2, Article 5, Section R14-2-507 (C) and (D) of the Arizona Administrative Code.

Service quality standards for voice service are established by the Arizona Corporation Commission (“ACC”). The Company consistently meets or exceeds those standards and provides reports to the ACC, in accordance with the Arizona ACC’s rules.

With regard to broadband service, the Company provisions its network and equipment to ensure that its customers can enjoy the speeds to which they subscribe. However, Internet speeds generally result from a “best effort” service and are dependent upon a number of variables, many of which are outside the control of the Company. The Company also complies with the FCC’s Open Internet rules, 47 C.F.R. §§8.3-8.11. These rules prohibit blocking, throttling, and paid prioritization, and also require the Company to publicly disclose information regarding its network management practices, performance, and the commercial terms of its broadband services.

The Company complies with any and all consumer protection obligations under state law.

The Company also complies with the following consumer best practices: (1) the Company discloses its rates and terms of service to customers; (2) the Company provides specific disclosures in its advertising; (3) the Company separately identifies carrier charges from taxes on its billing statements; (4) the Company provides ready access to customer service; (5) the Company promptly responds to consumer inquiries and complaints received from government agencies; and (6) the Company abides by policies for protection of consumer privacy.

In particular, the Company has a policy and established operating procedures that comply with the FCC’s Customer Proprietary Network Information (CPNI) rules (47 C.F.R. §§64.2001-64.2011). An explanation of the Company’s CPNI practices, as well as other customer information can be found at:

[http://zonaalt.weebly.com/uploads/2/7/0/1/27017479/\\_new\\_zona\\_customer\\_handbook.pdf](http://zonaalt.weebly.com/uploads/2/7/0/1/27017479/_new_zona_customer_handbook.pdf).

## **LINE 610 - FUNCTIONALITY IN EMERGENCY SITUATIONS**

Accipiter Communications, Inc. ("the Company") is able to remain functional in emergency situations for both voice and broadband service. The Company has a reasonable amount of backup power to ensure functionality without an external power source. Primary hub sites are equipped with 22 hours of battery backup and the Company has two portable generators which can be deployed to these sites if required. Digital loop carrier sites are equipped with eight hours of battery backup. All sites are alarmed and monitored for commercial power outages so that the Company's employees are notified when commercial power has been lost at a site.

The Company has deployed synchronous optical network ("SONET") transport equipment to each of its major network hubs which will automatically reroute traffic if the existing assigned fibers are damaged. The Company is capable of handling telephone and broadband traffic spikes resulting from emergency situations.

## **LINE 1010 – VOICE SERVICES RATE COMPARABILITY**

The Wireline Competition Bureau's 2017 reasonable comparability benchmark for voice services is \$49.51, which includes the federal subscriber line charge ("SLC").<sup>1</sup>

In the exchanges served by Accipiter Communications ("the Company"), the highest single line residential local rate in effect as of January 1, 2017 was \$16.78. When the federal SLC (\$6.50) is included, the rate was \$23.28. Therefore, the Company's pricing of fixed voice services is less than the reasonable comparability benchmark of \$49.51.

---

<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017).

## **LINE 1030 – BROADBAND SERVICES RATE COMPARABILITY**

As of January 1, 2017, Accipiter Communications, Inc. was charging a residential rate of \$46.95 for broadband providing 15 Mbps download, 3 Mbps upload, and an unlimited usage allowance. This rate is lower than \$83.82, which is the 2017 reasonable comparability benchmark for the same offering established by the Wireline Competition Bureau.<sup>1</sup>

---

<sup>1</sup> *Wireline Competition Bureau Announces Results of 2017 Urban Rate Survey for Fixed Voice and Broadband Services, Posting of Survey Data and Explanatory Notes, and Required Minimum Usage Allowance for ETCs Subject to Broadband Public Interest Obligations*, Public Notice, WC Docket No. 10-90, 32 FCC Rcd 1358 (2017). See also, <https://www.fcc.gov/general/reasonable-comparability-benchmark-calculator>.

## **LINE 1210 – TERMS & CONDITIONS OF VOICE TELEPHONY LIFELINE PLANS**

Residential customers of Accipiter Communications, Inc. (“the Company”) who qualify for the Lifeline Program receive a federal discount of \$9.25 on local voice telephony service.

Throughout the Company’s study area, the Lifeline single-line residential rate, including the federal subscriber line charge (“SLC”), is \$14.03 (\$23.28 standard rate - \$9.25 discount).

All single-line residential customers, including Lifeline customers, have an unlimited number of minutes for calls made within their local calling area.

For calls outside of the local calling area, Lifeline customers may subscribe to long distance service offered by the Company at a non-discounted rate of \$.05/minute or an unlimited number of long distance minutes at \$20/month. Lifeline customers may also choose another long distance carrier. Customers may elect to subscribe to toll blocking at no charge.

The Company does not disconnect the service of Lifeline subscribers for the non-payment of toll charges. However, the Company reserves the right to implement toll blocking, at no charge, if the customer incurs a significant balance of unpaid toll bills.

Lifeline Program reductions do not apply to additional services such as custom calling features. Lifeline customers may subscribe to these services, where available, at the same rates offered to other customers.

Lifeline customers may subscribe to any residential voice telephony service package that is generally available to the public and will receive a \$9.25 discount off the regular price of the package.

The Company provides additional information regarding the Lifeline program at <http://www.zonacommunications.com/support-programs.html>.

**LINE 3010 – CERTIFICATION OF PUBLIC INTEREST OBLIGATIONS**

Accipiter Communications, Inc. (“the Company”) hereby certifies that the Company has taken reasonable steps to provide upon reasonable request broadband service at actual speeds of at least 10 Mbps downstream/1 Mbps upstream, with latency suitable for real-time applications, including Voice over Internet Protocol, and usage capacity that is reasonably comparable to comparable offerings in urban areas, and that requests for such service were met within a reasonable amount of time.



**ARIZONA 513**

**ACCIPITER COMMUNICATIONS, INCORPORATED  
(d.b.a. Zona Communications)**

**PHOENIX, ARIZONA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**LUBBOCK, TEXAS**

**ARIZONA 513**

**ACCIPITER COMMUNICATIONS INCORPORATED  
(d.b.a. Zona Communications)**

**PHOENIX, ARIZONA**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**ACCIPITER COMMUNICATIONS INCORPORATED**  
**PHOENIX, ARIZONA**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**Independent Auditor's Report**

Board of Directors  
Accipiter Communications Incorporated  
Phoenix, Arizona

**Report on the Financial Statements**

We have audited the accompanying balance sheets of Accipiter Communications Incorporated (the Company) as of December 31, 2016 and 2015, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation to the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accipiter Communications Incorporated as of December 31, 2016 and 2015, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, on our consideration of Accipiter Communications Incorporated's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on noncompliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Accipiter Communications Incorporated's internal control and compliance.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 10, 2017

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ACCIPITER COMMUNICATIONS INCORPORATED

Exhibit A

BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015

ASSETS

	December 31,	
	2016	2015
<b>CURRENT ASSETS</b>		
Cash and Working Funds		
Temporary Cash Investments		
Accounts Receivable - Telecommunications (Less Allowance for Uncollectible Accounts of ■ in 2016 and ■ in 2015)		
Accounts Receivable - Other (Less Allowance for Uncollectible Accounts of ■ in 2016 and ■ in 2015)		
Prepayments		
Materials		
<b>NONCURRENT ASSETS</b>		
Investment in Non-Affiliated Organization		
Other Noncurrent Assets		
<b>PLANT, PROPERTY, AND EQUIPMENT</b>		
Telecommunications Plant in Service		
Plant Under Construction		
Accumulated Provision for Depreciation and Amortization		
<b>TOTAL ASSETS</b>		

LIABILITIES AND STOCKHOLDERS' EQUITY

<b>CURRENT LIABILITIES</b>	
Current Maturities of Long-Term Debt	
Accounts Payable - Trade	
Accounts Payable - Construction Contracts	
Advanced Billing and Payments	
Customer Deposits	
Other Current and Accrued Liabilities	
<b>LONG-TERM DEBT</b>	
Other Long-Term Debt (Less Current Maturities)	
<b>OTHER LONG-TERM LIABILITIES</b>	
Noncurrent Deferred Income Taxes	
<b>STOCKHOLDERS' EQUITY</b>	
Common Stock (■ Par; ■ Shares Authorized; ■ Shares Issued and Outstanding)	
Additional Paid-in Capital	
Retained Earnings (Deficit)	
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	

See accompanying notes to financial statements.

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ACCIPITER COMMUNICATIONS INCORPORATED

Exhibit B

STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	December 31,	
	2016	2015
OPERATING REVENUE		
Local Network Services		
Interstate Network Access Services		
Intrastate Network Access Services		
Federal Universal Service Fund Support		
Long Distance Services		
Nonregulated Revenue		
Miscellaneous		
Other Operating Income (Loss)		
Uncollectible Revenue		
OPERATING EXPENSES		
Plant Specific Operations		
Plant Nonspecific Operations		
Depreciation Expense		
Customer Operations		
Corporate Operations		
Nonregulated Expenses		
Operating Taxes		
NET OPERATING INCOME BEFORE FIXED CHARGES		
FIXED CHARGES		
Interest on Long-Term Debt		
Other Interest		
NET OPERATING INCOME (LOSS)		
NONOPERATING INCOME (EXPENSE)		
Interest and Dividend Income		
Other Income (Expense)		
NET INCOME (LOSS) BEFORE INCOME TAXES		
INCOME TAX EXPENSE (BENEFIT)		
NET INCOME		

See accompanying notes to financial statements.

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**ACCIPITER COMMUNICATIONS INCORPORATED**

**Exhibit C**

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Total
Balance - December 31, 2014				
Net Income - 2015				
Stock Based Compensation				
Balance - December 31, 2015				
Net Income - 2016				
Balance - December 31, 2016				

See accompanying notes to financial statements.



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## ACCIPITER COMMUNICATIONS INCORPORATED

Exhibit D

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Exhibit B)		
Adjustments to Reconcile Net Income (Loss) to Net Cash from Operating Activities:		
Depreciation		
Stock Based Compensation		
Deferred Income Taxes		
(Increases) Decreases:		
Accounts Receivable		
Prepaid Expenses		
Inventory		
Other Noncurrent Assets		
Increases (Decreases):		
Accounts Payable		
Advanced Billing and Payments		
Customer Deposits		
Other Current and Accrued Liabilities		
Net Cash from Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to Plant in Service		
Net Cash from Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Other Long-Term Liabilities		
Net Cash from Financing Activities		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>		
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>		
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest and Adequacy of Protection Payments on Long-Term Debt		
Income Taxes		

See accompanying notes to financial statements.

# **ACCIPITER COMMUNICATIONS INCORPORATED**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Nature of Operations and Summary of Significant Accounting Policies**

#### **Business Activity – Nature of Operations**

Accipiter Communications Incorporated (the Company) is a telecommunications utility acting as a local exchange carrier within the State of Arizona, offering telecommunications services to the public under its Certificates of Public Convenience and Necessity issued by the Arizona Corporation Commission. At its inception, the Company acquired certain telecommunications exchanges from U.S. West Communications, Incorporated in an area known as Lake Pleasant and Castle Hot Springs.

#### **System of Accounts**

The accounting records of the Company conform to the Uniform System of Accounts prescribed by the Federal Communications Commission (FCC) for Class A telephone companies modified for telephone borrowers of the Rural Utilities Service (RUS).

#### **Telephone Revenues**

The Company's local and intrastate operating revenues are under the jurisdiction of the Arizona Corporation Commission.

#### **Regulatory Accounting**

The Company is subject to regulation by the Arizona Corporation Commission (the Commission) and other federal agencies, and therefore follows accounting for regulated enterprises prescribed by Financial Accounting Standards generally accepted in the United States of America.

#### **Revenue Recognition**

Monthly service plan revenues derived from local service are recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned from originating and terminating long distance calls) are generally billed as a per minute charge, are billed in arrears and recognized in the month the service is provided.

Interstate access revenues also include settlements based on the Company's participation in the revenue pools that are administered by the National Exchange Carriers Association (NECA). These revenues are determined annually by separation and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. The studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2016 and 2015.

The Company's federal universal service support is intended to compensate the Company for the high cost of providing rural telephone service. Federal Universal Service support revenues includes funds received for the high cost loop support, interstate common line support, the connect America fund and other miscellaneous programs. High cost loop support and interstate common line support are based on the Company's current relative level of operating expense and plant investment. Support from the CAF is based on a historical frozen amount related to the 2011 plant investment and expenses associated with the switching function and certain 2011 intrastate access revenues (baseline revenues). The baseline revenue used to calculate CAF will be reduced by five percent each year.

The revenue received from the federal universal service programs are as follows:

	December 31,	
	2016	2015
Local Service Support - Lifeline		
Access Support - CAF		
Access Support - ICLS		
Total Local Service and Access Support		
High Cost Local Loop Support		
High Cost Support - Safety Net Additive		
Total Local Loop and High Cost Support		
Total Universal Service Fund Support		

Regulation – The Company’s services are subject to rate regulation as follows:

- Local telephone and intrastate access revenues are regulated by the Arizona Corporation Commission.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Federal Universal Service revenues are administered by the Universal Service Administration Company (USAC) based on rules established by the FCC.

Other sources of revenue are not rate regulated these include equipment sales, internet service, DSL service, directory, billing and collection services, rents and other incidental services.

The Company’s operating expenses and telecommunications plants are related primarily to regulated revenues. However, some of these costs are jointly related to regulated and non-regulated services. For settlement purposes, Universal Service Fund, rate making and other regulatory purposes, the portion of these common costs related to non-regulated activities are removed from these accounts in accordance with Part 64 of the FCC rules in order to ensure that regulated revenues are based on the cost of providing regulated services.

#### Federal USF and Interexchange Carrier Compensation Reform

The FCC released an Order and Further Notice of Proposed Rulemaking (FNPRM) that reforms the High Cost Program supporting rate-of-return carriers. The following changes have been implemented to modernize the program:

- Provides support for stand-alone broadband;
- Requires broadband deployment based on the number of locations lacking service and the cost of providing service;
- Requires allowances for capital investments and limits on operational expenses; and
- Phases out support for areas served by a qualifying competitor.

The FNPRM also created two paths to a Connect America Fund for rate of return carriers. The model based option is voluntary and is a fixed amount of support for ten years. The legacy mechanism reforms the existing Interstate Common Line Support (ICLS) mechanism to support stand-alone broadband and will now be known as the Connect America Fund Broadband Loop Support (CAF BLS). The Company has elected to accept the A-CAM support offer. The Company will receive A-CAM funding on a graduate scale, starting with [REDACTED] in 2017 and decrease by [REDACTED] each year until 2026 when the A-CAM funding will be [REDACTED]. Acceptance of the A-CAM support offer requires the Company to meet certain build-out and service obligations and adherence to reporting and record retention requirements. Failure to meet the obligations could result in a reduction and/or repayment of funds.

The FCC has also created a self-effectuating mechanism to ensure the \$2 billion budget for Universal Service Support is not exceeded.

#### Materials

Materials and inventory are valued at average unit cost, these consist of telecommunications cable and supplies.

#### Advertising Costs

The Company's policy is to directly expense all non-direct response advertising costs as incurred. The total marketing and advertising costs for the years ended December 31, 2016 and 2015, were [REDACTED] and [REDACTED], respectively.

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash in banks and on hand, and temporary investments to be cash equivalents.

#### Group Concentration of Credit Risk

The Company had cash deposits in financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At December 31, 2016, the Company's depository institution is required to maintain a bond which insures the Company's deposits in excess of the FDIC \$250,000 limit.

#### Accounting Policies for Trade Receivables

In the normal course of business, the Company recognized accounts receivable for telecommunications services provided and billed. All bills for service are due and payable at the office of the Company on or before the last day of the month following the post marked date of the statement of the month in which the bill is rendered. After the last day of the month, bills are delinquent and subject to the termination policy. If the bill is not paid when due, the Company may make a late payment charge of 1.5%.

The Company provides an allowance for doubtful accounts to recognize the portion of the receivables considered uncollectible. The allowance is estimated based on an aging of receivables and is tied to amounts owing in excess of 90 days. Management of the Company periodically reviews delinquent accounts and charges off accounts deemed uncollectible.

#### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Subsequent Events

The Company's management has evaluated subsequent events through March 10, 2017, the date the financial statements were available for issue.

## 2. Going Concern

The Company filed a voluntary Chapter 11 bankruptcy petition on March 28, 2014. On December 14, 2016 the bankruptcy court confirmed a restructuring plan by which the Company would exit bankruptcy. The Plan provides that the RUS shall receive a cash payment of [REDACTED] and all liens held on account of the RUS Loan Claims shall be released. These funds will be provided by the new equity owner. The allowed general unsecured creditors shall receive payment in full of their claims in the pro rata share of [REDACTED] to be distributed as soon as reasonably possible after the effective date and payment of the remaining balance due as soon as is practicable but, in any event, no later than in eight equal monthly installments commencing on the first business day on month from the effective date. As of the effective date, all equity interest shall be cancelled and all equity related claims are extinguished. All executory contracts and unexpired leases will be deemed rejected as of the Effective Date in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code except those executory contracts and unexpired leases that (i) are designated as assumed, (ii) have been assumed by a separate Final Order of the Bankruptcy Court, (iii) are the subject of a motion to assume pending on the Effective Date or are (iv) assumed pursuant to the terms of the Plan. Management intends to assume all existing lease contracts of the Company.

The Effective Date of the bankruptcy plan is pending the approval of state regulators which is expected be received.

The RUS loan covenants provide that in the event of a default the entire debt obligation is due and payable. The Company's balance sheet reflects the current portion of all debt in the amount of [REDACTED], consisting of unpaid principal due the RUS. These amounts are contingent on the final bankruptcy order, as approved by the state regulator.

## 3. Assets Pledged

All assets held at March 28, 2014, the date the Chapter 11 bankruptcy petition was filed, are pledged as security for the long-term debt due to the Rural Utilities Service (RUS). Assets constructed or acquired after that date are not subject to the RUS lien and at December 31, 2016 amount to [REDACTED]. As stated in Note 2, the court approved bankruptcy plan provides that the RUS shall receive a cash payment of [REDACTED] and all liens held on account of the RUS Loan Claims shall be released.

#### 4. Temporary Cash Investments

Temporary cash investments consist of CDARs stated at cost. Due to the short-term nature of investment cost approximates fair value.

#### 5. Investment in Telecommunications Plant

##### Telecommunications Plant, Maintenance, and Depreciation

Telecommunications plant is stated at the original cost of construction and acquisition which includes the cost of contracted services, direct labor, materials, allowance for funds used during construction (capitalized interest), and overhead items. Contributions from others toward construction are credited to the applicable plant accounts.

When property that represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the removal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, with the exception being repairs of transportation and service equipment are charged to clearing accounts and redistributed to cost of construction and plant specific operations.

The major classes of telecommunications plant in service as of December 31, 2016 and 2015 are as follows:

	Depreciable Life in Years	Original Plant Cost 2016	Accumulated Depreciation 2016	Net Balance	
				2016	2015
General Support Assets					
Central Office Assets					
Terminal Equipment Assets					
Cable and Wire Facilities					
Telecommunications Plant in Service					
Plant Under Construction					
Total Plant, Property, and Equipment					

The Company provides for depreciation on a straight-line basis at annual rates, which will amortize the property over its estimated useful life. Depreciation for the years ended December 31, 2016 and 2015 was [REDACTED] and [REDACTED], respectively.

## 6. RUS Mortgage Notes

Mortgage notes due to RUS are payable to the United States of America. The notes are for a 20-year period with installments of principal and interest due monthly. The following is a summary of outstanding debt:

	December 31,	
	2016	2015
5.00% Notes Due in 2017		
1.87% - 5.36% Notes Due in 2022		
3.06% - 5.36% Notes Due in 2026		
Less: Current Maturities		

As disclosed in Note 2, the Company is in default of its RUS debt and according to the RUS debt covenants all outstanding debt become due and payable in the event of default. Therefore, all outstanding RUS debt is classified as current. The court approved bankruptcy plan provides that the RUS shall receive a cash payment of [REDACTED] and all liens held on account of the RUS Loan Claims shall be released. The effective date of the bankruptcy plan is pending the approval of state regulators which is expected be received.

The RUS mortgage agreement contains restrictions on the distribution of capital to shareholders and for investing in rural development projects. There were no distributions of capital to shareholders or investments in rural development projects during 2016.

## 7. Other Long-Term Debt

Other long-term debt consisted of a liability incurred as a result of the Company's withdrawal from the National Telephone Cooperative Association (NTCA) Retirement and Security Program on the behalf of employees who were participants in the program as of October 31, 2006. The liability was payable in ten equal annual installments of \$5,980 at an interest rate of 7.5%.

	December 31,	
	2016	2015
Note due NTCA		
Less: Current Maturities		

## 8. Income Taxes

For years prior to 2013, the Company had elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Accordingly, for years prior to 2013, the financial statements do not include a provision for income taxes because the Company did not incur federal or state income taxes. Instead, its earnings and losses were included in the stockholder's personal income tax returns and taxed based on their personal tax strategies.

Effective January 1, 2013, the Company elected to revoke its Subchapter S status and is subsequently taxed as a C Corporation using the asset and liability method of accounting for income taxes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary difference between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled.

Income taxes are provided for tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to accelerated depreciation and net operating loss carryover. The deferred tax liabilities represent the future tax return consequences of those differences, which will result in a tax expense when the liability is recognized. Any net operating losses incurred and not utilized are carried forward to offset future taxable income, depending on the taxing jurisdiction. Federal net operating losses may be carried forward to offset future taxable income for a period not exceeding 20 years. The state of Arizona provides that net operating losses to be carried forward for a period not exceeding five years. At December 31, 2016, the Company had federal net operating loss carryovers of [REDACTED], which begin to expire in the year 2033. The Company also had Arizona net operating loss carryovers of [REDACTED] which begin to expire in the year 2018.

At the effective date of the court approved bankruptcy plan, the gain on the debt cancellation will be offset in an orderly fashion beginning with the elimination of the net operating loss carryovers, tax credits, then is offset with the tax basis in property and equipment followed by the elimination of other tax attributes. Any remaining gain on the debt cancellation will not be taxed.

The net federal and state deferred tax asset and liability in the accompanying balance sheet includes the following components:

	December 31,	
	2016	2015
Net Concurrent Deferred Income Taxes:		
Federal:		
Asset - NOL Carryover		
Asset - Capital Loss Carryover		
Asset - Other		
Liabilities		
State:		
Asset - NOL Carryover		
Asset - Capital Loss Carryover		
Asset - Other		
Liabilities		



The components of income tax expense are as follows:

	December 31,	
	2016	2015
Federal Income Tax Expense:		
Deferred Tax Expense (Benefit)		
State:		
Current Tax Expense		
Deferred Tax Expense (Benefit)		

The Company provides for “uncertain tax positions” under the provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Company is the tax depreciation methods it employs. The Company determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS) and state taxing authorities, and that all tax benefits are likely to be realized upon settlement with taxing authorities.

The Company files its income tax returns in the U.S. federal jurisdiction, and in the state of Arizona. The Company is no longer subject to U.S. federal and state income tax examinations by federal and state taxing authorities for years before 2013.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2016 and 2015.

## 9. Shared Based Compensation

On October 24, 2012, the Company implemented a shared based compensation plan for the Company’s President/CEO and Vice President/CFO. In 2012, the Company issued ■■■ common shares to the President/CEO at an appraised value of ■■■■. Under the plan the President/CEO will receive an additional ■■■ shares of common stock to vest ratably over five years as of December 31st of each year with the initial vesting to occur on December 31, 2013. The Vice President/CFO will receive ■■■ shares of common stock that will vest ratably over five years as of December 31 of each year with the initial vesting to occur December 31, 2013. The fair value of the award is ■■■■ per common share as determined by an appraisal report at the date of the grant. For the years ending December 31, 2016 ■■■ shares were issued, and in 2015 ■■■ shares were vested and issued at a value of ■■■■.

As of the effective date of the approved bankruptcy plan, all equity interest shall be cancelled and all equity related claims are extinguished. The Effective date of the bankruptcy plan is pending the approval of state regulators which is expected be received.

## 10. Employee Benefit Plan

### Pension Benefits

Pension benefits for substantially all employees of the Company are provided through the National Telephone Cooperative Association (NTCA) Savings Program. The Savings Program is a defined contribution pension plan. The plan is exempt from federal income taxes under the Internal Revenue Code. Contributions are made to the Savings Plan are equal to the amounts accrued for pension expense.

The pension cost to the Company for the years ended December 31, 2016 and 2015, was [REDACTED] and [REDACTED], respectively.

## 11. Litigation and Commitments

### Litigation

As described in Note 2, the Company has an on-going Chapter 11 proceeding. There is no other pending litigation against the Company that is expected to have a material effect on the financial statements.

### Leases

The Company has entered into various operating leases for the use of vehicles, office equipment, land, building and tower space. These leases expire at various times between 2017 and 2023, and contain renewal options. The estimated minimum lease payment obligation for the next five years is as follows:

2017	\$	[REDACTED]
2018		[REDACTED]
2019		[REDACTED]
2020		[REDACTED]
2021		[REDACTED]

Rent expense under these leases for the years ended December 31, 2016 and 2015 was [REDACTED] and [REDACTED], respectively.

**COMPLIANCE AND INTERNAL CONTROL SECTION**

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**LUBBOCK, TEXAS 79423-1954**

**REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL  
AGREEMENTS AND REGULATORY REQUIREMENTS FOR TELEPHONE BORROWERS**

**Independent Auditor's Report**

Board of Directors  
Accipiter Communications Incorporated  
Phoenix, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Accipiter Communications Incorporated (the Company), which comprise the balance sheet as of December 31, 2016, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 10, 2017. In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2017, on our consideration of the Company's internal control over financial reporting (internal control) and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Company's accounting and records to indicate that the Company did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

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Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telecommunications system;

Disclose material related party transactions in the financial statements. In accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and credits; and

Comply with the requirements for the detailed schedule of investments.

This report is intended solely for the information and use of the Board of Directors, management, RUS and supplemental lenders and is not intended to be and should not be used by anyone other than theses specified parties. However, this report is a matter of public record and its distribution is not limited.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 10, 2017

**BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Independent Auditor's Report**

Board of Directors  
Accipiter Communications Incorporated  
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Accipiter Communications Incorporated (the Company) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise of the Company's basic financial statements, and have issued our report thereon dated March 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

Lubbock, Texas

March 10, 2017